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Valuation

VOSPERS,
FRIEND&
FALCKE

Valuation Report

Subject of Valuation:

Kingsway Tunnel Complex
31-33 High Holborn (WC1V 6AX)
38-39 Furnival Street (EC4A 1JQ)
LONDON

Prepared for:

The Directors
The London Tunnels PLC
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31st March 2025

Ref: C-21411

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1. SUMMARY & VALUATION

1.1 PROPERTY (SUBJECT OF THE VALUATION)

Address:	**Kingsway Tunnel Complex** **31-33 High Holborn (WC1V 6AX)** **38-39 Furnival Street (EC4A 1JQ)** **LONDON**
Tenure:	**Long Leasehold**
Property Type:	**Tunnels previously used as the telephone exchange together with two surface building acquired for access reasons.**

1.2 OPINION OF VALUE

FAIR VALUE

In the light of the uniqueness of this project we have prepared our valuation having regard to the assumptions outlined in the indicative valuation report published for listing. The basis of our valuation is the adoption of sustainable rental calculated having regard to industry standard percentages of the blended turnover forecasted.

Considering rates of return likely for the level of risk anticipated for this property, we formed the view that a suitable income multiplier to provide a 6.5% return on invested money would be reasonable. Applying this multiplier to the notional rental value gave us an indicative value for the development. We are of the opinion that the fair value of these properties, on completion, defined in accordance with IFRS 13 and as of 31st March 2025 lies in the region of:

£149,250,000
(ONE HUNDRED AND FORTY-NINE MILLION TWO HUNDRED AND FIFTY THOUSAND POUNDS)

We understand that provisional works costing for the project lie in the region of £81,250,000 plus professional fees. Allowing for finance costs, purchase costs and developers profit we have formed the view that the value of the property with consent in place lies in the region of

£37,290,000
(THIRTY-SEVEN MILLION, TWO HUNDRED AND NINETY THOUSAND POUNDS)

As in 2024, information available to the valuer remains relatively limited and has required some assumptions. As such the valuer highlights that less certainty can be attached to the valuation than would normally be the case for a more traditional property assets.

1.3 MARKET COMMENTARY

The Q1 2025 RICS UK Commercial Property Monitor results reflect an overall cautious sentiment across the market. Contributing factors include recent tax changes, domestic economic uncertainty, and global trade tensions affecting both occupier and investor decisions. However, some improvements were noted compared to the previous quarter, such as a slight increase in respondents who believe the market has entered the early stages of an upturn (35% vs. 33%).

Occupier conditions vary across sectors. Overall tenant demand for property posted a net balance of +1% in Q1, slightly up from zero in the previous quarter, indicating a flat headline picture. Disaggregated data shows small uplifts in tenant demand for office and industrial sectors, with net balances of +6% and +9%, respectively. Conversely, the retail sector saw a decline in occupier demand, with a net balance reading of -13%. Available leasing space increased across all mainstream sectors, more prominently in retail and modestly in industrials.

Regarding rental outlooks, respondents project twelve-month rents to rise by 2.2% for prime industrials and 2.1% for prime offices, the latter being a slight upgrade from Q4. For prime retail, a flat to marginally negative trend is anticipated for the year ahead.

Secondary industrial rents are expected to increase marginally, while secondary office and retail rents are predicted to decrease by 2.6% and 3.2%, respectively. Alternative sectors such as data centres (+4%), multifamily residential (+2.7%), life sciences (+2.4%), and aged care facilities (+2.2%) show positive rental price forecasts.

Regionally, the Central London prime office market is forecasted to experience stronger rental growth compared to other UK regions, with an expected near 5% increase over the next year. Northern Ireland and Scotland provide the most optimistic projections for prime industrial space rental growth. Meaningful rental growth for prime retail is only anticipated in Scotland and the Northeast of England.

In the investment market, the headline investor demand series showed a slight improvement in Q1, with the net balance rising to +4% from -4% previously, indicating a relatively flat trend. Industrial investment enquiries increased, with a net balance of +18% (up from +8%), and office investment enquiries recovered to +1% from -11%. Conversely, retail investment demand remained weak, with a Q1 reading of -11%.

Overseas investment demand experienced a slight increase in both the industrial and office sectors. Capital value growth prospects for the next twelve months predict near 2% gains for prime industrial and prime office assets. Prime retail values are expected to remain flat. Secondary markets forecast stable industrial values and a decrease of approximately 2.5% for secondary office and retail properties.

Most alternative sectors are projected to see capital value increases, with data centre valuations rising close to 4%, though this is down from the 5% annual growth predicted last quarter. Multifamily residential, life sciences, student housing, and aged care foresee capital value growth between 1.5-2.5%. Traditional leisure property values are expected to face slight downward pressure in the upcoming year, albeit more sophisticated leisure investments may well buck this trend.

As a point of caution, the incoming American administration's impact on investment markets has been significant and multifaceted, marked by both positive and negative effects depending on the timeframe, policy area, and investor sentiment.

In the long term, such influences are shaping a more protectionist and nationalist tone in their economic policy, which may lead to lasting changes in how companies approach globalization, supply chains, trade and property investment.

Considering the immersive entertainment market, independent analysts (Goldman Sachs and Forbes amongst others) predict the global market for Immersive Entertainment, valued at US$133.6 Billion in 2024, as reaching US$473.9 Billion by 2030.

Immersive entertainment is revolutionizing how audiences interact with content, creating experiences that are engaging, interactive, and personalized. By leveraging advanced technologies such as virtual reality (VR), augmented reality (AR), mixed reality (MR), and extended reality (XR), immersive entertainment is fostering active participation. This transformation is particularly evident in live events such as concerts, festivals, and sports are utilizing VR and AR to provide audiences with enhanced perspectives and experiences, whether in person or remotely.

Integrated immersive elements offer 360-degree storytelling and interactive narratives, enabling participants to explore scenes from multiple angles and influence outcomes. This shift is redefining traditional formats, giving rise to new forms of entertainment with resultant property demand that blur the boundaries between the physical and digital realms. As content creators continue to explore the potential of immersive technologies, consumers are experiencing a higher level of engagement and entertainment leading to a potentially new real property assets class.

1.4 ENTIRE REPORT

This ‘Summary and Valuation’ should not be considered other than as part of the entire report of which there are seven sections plus appendices.

2. INSTRUCTIONS & TERMS OF ENGAGEMENT

2.1 INSTRUCTIONS

This report has been prepared, following instructions received and confirmed on 28th February 2025 from yourself and has been carried out by N D Hanson FRICS, an Independent Registered Valuer who conforms to the requirements set out in *RICS Valuation – Global Standards 2025.*

Unless stated to the contrary, this report is subject to the Terms of Engagement for the Valuation, as attached in Appendix II, in accordance with the Royal Institution of Chartered Surveyors' (RICS) recommendations.

2.2 PURPOSE OF THE VALUATION

Our valuation has been prepared to assist in preparing the information to be included in financial reports.

2.3 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

This report is provided for the purposes and use of the client. It is confidential to the client and clients' representatives. The valuer accepts responsibility to the client the Report has been prepared with the skill, care and diligence reasonably expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any party other than the client. Any party relies upon the report at their own risk.

It has been agreed that the client may include a published reference to the valuation on the condition that Vospers Friend & Falcke Chartered Surveyors approves its use in the context of the proposed financial report.

2.4 VALUATION BASES & CURRENCY ADOPTED

Currency adopted: - All amounts expressing value are quoted in pounds sterling (£).

In accordance with the definitions in Appendix I, we have been requested to provide our opinion of:

- Fair value

2.5 SCOPE & CONTENT OF INSPECTION & REPORT

We draw attention to certain caveats and assumptions as follows:

a. We have excluded from our valuation any value attributable to fixed and loose items.

b. Any interpretation of legal assumptions must be checked by the Client with a suitably qualified Lawyer if they are to be relied upon. No responsibility or liability is accepted for the correct interpretation of the legal position of the Client or other parties.

c. We confirm we have acted as independent valuers and have no other current or presently foreseeable fee earning relationship concerning the subject property apart from the valuation fee and have disclosed in writing to our Client any present relationship, or relationship within the past two years of receipt of the valuation instructions, with any of the interested parties and any previous involvement with the subject property.

d. In providing our valuation advice no allowance has been made for liability for taxation which may arise on disposal, whether actual or notional, nor does the valuation reflect the costs of acquisition or realisation. We are not aware as to whether VAT is chargeable at its disposal and for the purpose of this report, we have assumed this would not affect our valuation.

e. Our report does not purport to express an opinion about or to advise upon the condition of uninspected parts and should not be taken as making any implied representation or statement about such parts. Neither have we carried out any tests of any kind on the electrical, plumbing or other services installed.

f. We have not undertaken any tests to confirm that deleterious, hazardous, inherently dangerous or unsuitable materials or techniques were used in the construction of the property or have since been incorporated. Therefore, we are not able to confirm the premises are free from such materials. Asbestos is present in many buildings constructed or altered during the 20^{th} Century and poses a particular hazard to health. Special precautions must be observed when handling asbestos: the removal of the material can be very costly. Businesses are obliged to comply with the Management of Asbestos at Work Regulations.

g. The property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

h. The property and its value would not be affected by any matters which would be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and neither the property, nor its condition, use or intended use are, or would be unlawful. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

i. Inspection of those parts which have not been inspected would neither reveal material defects nor cause the valuer to alter the valuation(s) materially.

j. This report and valuation has been prepared in accordance with the RICS Valuation – Global Standards 2025.

2.6 SOURCES & EXTENT OF INFORMATION

In preparing this report, we have based our opinion on information supplied to us. We have only attempted to obtain verification where there appeared to be a risk of doubt. Further investigation could prove such information provided to be erroneous, which would have the effect of nullifying our valuation. We have stated the source of information relied upon under sections 4 and 5 in this document.

2.7 DATE OF VALUATION

Our valuation has been assessed as of 31st March 2025. The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.

3. THE PREMISES (SUBJECT OF THE VALUATION)

3.1 LOCATION

The tunnel complex and properties are located below street level in High Holborn, and within Furnival Street, in the London Borough of Camden, approximately 1.0 miles to the northeast of central London.

The area has a Public Transport Access Level (PTAL) rating of 6b. PTAL is a measure undertaken by TfL, which rates a selected place based on how close it is to public transport and how frequent services are in the area. The PTAL ratings range from 0 (worst) to 6 (best) where the highest value represents the best connectivity.

Chancery Lane underground station, serviced by the Central Line, is situated approximately 130 metres to the east of the Property and provides direct access to Tottenham Court Road (2 mins), Bank (3 mins), Oxford Circus (3 mins), Bond Street (5 mins), Liverpool Street (5 mins) and Stratford (14 mins).

Holborn underground station, serviced by the Central Line and the Piccadilly Line, is situated approximately 500 metres to the west of the Property and provides direct access to Tottenham Court Road (1 min), Leicester Square (2 mins), Oxford Circus (2 mins), Bond Street (3 mins), King's Cross (3 mins), Bank (4 mins), Green Park (5 mins), Liverpool Street (6 mins), South Kensington (11 mins) and Stratford (15 mins).

Farringdon station is situated approximately 620 metres to the east of the Property and provides London Underground, Elizabeth Line and railway services. The underground station is serviced by the Hammersmith & City Line, the Circle Line and the Metropolitan Line, and provides direct access to King's Cross (2 mins), Liverpool Street (4 mins), Baker Street (7 mins), Paddington (13 mins), Victoria (24 mins) and South Kensington (28 mins). The railway station provides direct access to London Liverpool Street (2 mins), London Blackfriars (4 mins) and London Paddington (9 mins).

The Elizabeth Line station provides direct access to London Liverpool Street (2 mins), Canary Wharf El (9 mins), London Paddington (10 mins), Heathrow Terminal 5 (42 mins), Heathrow Terminal 4 (42 mins), Maidenhead (48 mins) and Reading (1 hour 3 mins).

Temple underground station, serviced by the Circle Line and the District Line, is situated approximately 0.5 miles to the south of the Property and provides direct access to Victoria (6 mins), South Kensington (10 mins), Liverpool Street (14 mins), King's Cross (21 mins), Paddington (24 mins) and Baker Street (27 mins).

City Thameslink railway station is situated approximately 0.5 miles to the southeast of the Property and provides direct access to London Blackfriars (2 mins), London St Pancras (7 mins) and London Bridge (9 mins).

London City Airport is situated approximately 7.3 miles to the east of the Property.

3.2 DESCRIPTION

The property is presently known as The Kingsway Exchange Tunnels and comprises of the main tunnel complex (title number LN182998), 38-39 Furnival Street (Title number 275219 and 31-33 High Holborn (Title number LN 170205).

Outline planning permission (Ref 2023/5103/P) has been granted for the Change of use of the existing deep level tunnels to a visitor and cultural attraction (class F1), including a bar. The permission allows for the demolition and reconstruction of existing building at 38-39 Furnival Street, for the principal visitor attraction pedestrian entrance at ground floor, with retail at first and second floor levels and ancillary offices at third and fourth levels and the excavation of additional basement levels. It also allows for the creation of new, pedestrian entrance at 31-33 High Holborn, to provide secondary visitor attraction entrance (including principal bar entrance); provision of ancillary cycle parking, substation, servicing and plant, and other associated works.

Redevelopment of 40-41 Furnival Street is also included; however, no value has been ascribed to this asset as it is understood that the property is not owned nor is it under the control of London Tunnels PLC.

Having regard to the planning documents, the schedule of areas taken account in our assessment is as follows:

Building	Proposed m^2	Ft^2
Class F1 area	10,341	111,310
Bar	284	3,056
Total	10,625	114,366

3.3 SERVICES

We understand all mains services are available.

4. LOCAL AUTHORITY & STATUTORY ISSUES & ENVIRONMENTAL ISSUES

4.1 TOWN PLANNING

In arriving at our valuation, it has been assumed that the property will enjoy permanent planning consent for its envisaged use, or will be entitled to enjoy it, or where it is reasonable to make such an assumption with continuing user rights for existing use purposes, subject to specific comments.

4.2 DEVELOPMENT/CHANGE OF USE

As already highlighted, our valuation opinion has been prepared having regard to the outline planning permission (Ref 2023/5103/P) which has been granted for the Change of use of the existing deep level tunnels to a visitor and cultural attraction (class F1), including a bar.

4.3 HIGHWAYS & RIGHTS OF ACCESS

We understand that all surrounding roads are public highways and that all rights of access are in place. All access rights are assumed. In addition, we have assumed that no onerous repairing clauses are in place.

4.4 THE FIRE REGULATORY REFORM (FIRE SAFETY) ORDER 2005

This came into effect on 1st October 2006 and replaces most fire safety legislation. Fire authorities no longer issue Fire Certificates and those previously in force now have no legal status. Under this legislation, the 'responsible person' must now carry out a 'Fire Risk Assessment' (or more particularly ensure one is carried out by a suitably qualified person). Unlike the old Fire Certificates, the Fire Risk Assessment is in respect of the way the premises are used and thus this is something that runs with property or is transferred to a new occupier. The new beneficial owners will be required to obtain a Fire Risk Safety Assessment which should be kept under review.

We have assumed that a Fire Risk Safety Assessment has been undertaken and that no major works of alteration to the property are required.

4.5 HEALTH & SAFETY

All occupiers should be aware that Health and Safety requirements differ greatly according to how the premises are used. We have not made enquiries to ascertain the appropriateness of the premises for their current/proposed use or to confirm compliance with regulations.

4.6 CONTROL OF ASBESTOS AT WORK REGULATIONS 2006 (CAWR)

Regulation 4 of the CAWR came into force on 21st May 2004. This requires every 'dutyholder' of non-domestic premises to assess whether asbestos is, or is liable to be, present; to prepare and implement a plan for managing any risks arising; and to review and revise the plan as necessary. A 'dutyholder' is any person with any extent of responsibility for the maintenance or control of the whole or part of the premises. This is a requirement, and we draw your attention to this matter. For the purposes of this report, we have assumed that no onerous works of repair are required.

We understand that a considerable amount of blue asbestos remains as insulation within these tunnels. It should be appreciated that our valuation figure will be altered once the true extent of such is known.

Our valuation will need to be reconsidered following this.

4.7 EQUALITY ACT 2010

This Act imposes obligations on service providers and employers to make reasonable provision for disabled people. We have not carried out an access audit and therefore we do not speculate as to whether any alterations/adaptations would be required by a service provider or employer.

This Act particularly applies where fifteen or more people are employed or where customers or service users may require access to business premises. The applicant should consider the extent to which this is relevant to his business and, if there is any doubt, should commission advice from a suitably qualified insured individual or company. Costly alterations/adaptations to physical features of the building, car parking, grounds etc. may be necessary as a result and this could impact on the property.

4.8 ENERGY PERFORMANCE CERTIFICATES

Energy Performance Certificates (EPCs) are required for the construction, sale or rent of residential and business premises. Energy Ratings give a measure of a property's overall efficiency, with the higher ratings having more energy efficient building. A limited number of buildings are exempt from having such certificates.

We have not been provided with a copy of a current EPC and have made independent enquiries on the Energy Performance Certification Register. We have not been able to find and determine the Energy Efficiency Rating for the subject Property.

The Energy Act 2011, more specifically The Minimum Energy Efficiency Standards 2015, includes new provisions under which, inter-alia, with effect from April 2018 it will be unlawful to let business and residential premises that do not meet minimum energy efficiency rating of 'E' or above, when dealing with new leases, lease renewals and lease extensions. As such, it will be unlawful to let units with an F & G rating). These provisions will also apply to all existing leases on 1 April 2020 for residential properties and 1 April 2023 for commercial properties.

For the purposes of this report, we have assumed that compliance with the EPC and MEES will not be onerous and will not have a material impact on the valuation.

ENVIRONMENTAL ISSUES

4.9 CONTAMINATION

We have considered the question of whether the property could be affected by contamination. Our inspection has been for valuation purposes and we have not attempted to undertake any form of environmental audit or contamination investigations, invasive or otherwise.

We did not observe any hazardous or polluting activities that could materially prejudice the valuation.

4.10 INVASIVE PLANT SPECIES

We have not conducted an environmental audit. For the purposes of this report, we have assumed that no invasive plant species such as Japanese knotweed is likely to affect the property and materially prejudice the valuation.

4.11 FLOODING

We have made online enquiries of the Environment Agency, regarding the measurement of flood risk relating to the subject Property for planning and insurance purposes.

For planning purposes, the subject Property lies in an area registered as being within Flood Zone 1. Flood Zone 1 is defined as having a less than 1 in 1,000 annual probability of local river flooding (i.e. a low risk of flooding).

The flood risk assessment for insurance purposes reflects the actual day-to-day risk of flooding from rivers and the sea. The subject Property is situated in an area deemed a Very Low risk from local river or surface water flooding. Such a level of risk means that each year this area has a chance of flooding of less than 0.1%. This takes into account the effect of any flood defences in the area. These defences reduce but do not completely stop the chance of flooding as they can be overtopped or fail.

The Lead local flood authorities (LLFA) are responsible for managing the flood risk from surface water and may hold more detailed information. The LLFA relating to the subject Property is in London Borough of Camden.

4.12 ARCHAEOLOGICAL REMAINS

We saw no evidence of such remains, but we have not made enquiries. Sometimes, however, protection or investigation of such remains is required by relevant authorities and this can result in major expenditure, inconvenience and delay as well as having a detrimental effect on the value of the property.

Our opinion of value assumes no such remains exist but if you are concerned and your further prudent enquiries reveal new information, then this should be referred to us as the value could be affected.

5. TENURE/TITLE

Unless otherwise stated we have assumed the title is free from encumbrances and that Solicitors' local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation.

In preparing our opinion we have seen details of the title for main tunnel complex (title number LN182998), 38-39 Furnival Street (Title number 275219) and 31-33 High Holborn (Title number LN 170205).

We have seen a copy of the lease dated 31st March 2025 between Exchange Tunnels Ltd and The London Tunnels PLC. The lease allows for an initial rent of £90,000 per annum to be paid to Exchange Tunnels Ltd. Review provisions, based upon an indexed rent, are in place and take place on a five yearly basis.

NB: Insofar as any assumption made within the body of this report is proved to be incorrect then the matter should be referred to the valuer in order to ensure the valuation is not adversely affected.

6. ADDITIONAL COMMENTS & RECOMMENDATIONS

6.1 GENERAL STATE OF REPAIR

We have not undertaken a building survey or received any information regarding the structure of the property. It must be appreciated that the condition of the property must be fully ascertained prior to a more detailed valuation being provided.

It follows that no electrical or mechanical components or fittings have been tested by a specialist contractor, and we cannot confirm that anything is in safe working order. There is a further assumption that the valuation assumes that only general maintenance works are required which may or may not be the case in actual fact.

6.2 ECONOMIC LIFE

In our opinion, the property has a functional and economic life of at least 50 years, providing that general maintenance and repair work continues to be undertaken.

6.3 MARRIAGE/SPECIAL PURCHASER VALUE

As far as we are aware, there is no hope, synergistic/marriage or special purchaser value attributable to the property now, or likely to arise soon and no allowance has been made for such enhancement in value.

6.4 VALUATION RATIONALE

IFRS are the standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). They comprise:

a) International Accounting Standards. Standards originally issued before 2001 are prefixed IAS, and those originally published later are prefixed IFRS.

b) IFRS International Sustainability Disclosure Standards, interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC).

IFRS 13 defines and explains the application of *fair value*, which is the most common basis of value required across the whole suite of IFRS. Adopting the key principles of this standard is therefore essential for valuers providing valuations for financial reporting. Fair value is defined as:

> '…*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'*

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Our valuation has been carried out using investment and residual methods.

We arrived at our opinion of the Market Value of the property (often referred to as the "Capital Value of the Completed Development (CVCD)") using the investment method, which involved the assessment of an estimated rental value which was then multiplied by a factor based upon a market rate of return.

Our opinion of the Market Value of the site in its existing condition is arrived at using the residual method which is a generally accepted method for valuing properties that are considered to have possible development potential. Having formed an opinion of the value of the completed property, using the method described above, we deduct from it the total costs of development and an allowance for the developer's profit.

The UK's immersive leisure market has experienced notable expansion over the past five years, driven by evolving consumer expectations for interactive, experience-led entertainment. High-profile successes such as "ABBA Voyage"—a technologically sophisticated virtual concert experience—alongside "Monopoly Life-sized" and "Secret Cinem", demonstrate the commercial viability of immersive formats that fuse storytelling, technology, and well-known intellectual property. These ventures have not only achieved strong ticket sales and media attention, but also sustained customer engagement and repeated visitation, signalling robust demand across diverse demographics.

Urban centres like London, Manchester, and Birmingham are emerging as hubs for these experiences, benefiting from high footfall and tourism infrastructure. From an investment perspective, immersive leisure properties offer attractive margins, opportunities for cross-platform brand partnerships, and scalability across global markets. With growing consumer appetite and increasing institutional backing, the sector is well-positioned for continued growth and innovation, making it a compelling area for strategic capital deployment.

In preparing our valuation we considered the market in general for similar projects. Ultimately the envisaged development will be a major landmark within the central London area and in this regards we noted the benchmark transaction as being the sale of Madame Tussauds by the Secure Income REIT to Fubon life insurance for figure £332.5 million in 2015. While, admittedly, the larger investment market has altered significantly in the last nine years, being a property having similar floor area to that envisaged at the subject location, but obviously with very prestigious and long-lived reputation, this gave us a background value from which to work.

Given this is a new asset class with little comparable data of established rentals for similar properties we have prepared our valuation having regard to the assumptions outlined in the indicative valuation report published for listing (ABN AMRO). The base of our valuation is the adoption of sustainable rental calculated having regard to industry standard percentages of the blended turnover forecasted.

Industry practice shows that turnover-based rents in the leisure sector commonly fall between 8% and 15% of gross turnover. According to Savills Research (2023), rent levels in mixed-use leisure schemes typically range between 10% and 15% of turnover, with 12% considered a standard rate in prime, destination-led developments.

Cushman & Wakefield (2022) report that turnover-based leases have become increasingly prevalent, with 12% widely adopted as a sustainable benchmark in leisure and food & beverage (F&B) settings. These benchmarks indicate that a 12% allocation is well within accepted market norms.

The British Council for Offices (2021) notes that occupancy costs above 15% of turnover can compromise operational viability, particularly for leisure and Food & Beverage (F&B) businesses. A 12% turnover rent is viewed as a balanced threshold that allows tenants to remain profitable while ensuring landlords receive stable income streams.
This approach supports long-term tenant retention and operational sustainability across the scheme. As reported in the Knight Frank Leisure Investment Update (2023), institutional investors increasingly favour turnover-based models where rent-to-revenue ratios remain within the 10% to 12% range to balance risk and return.

As an aside we understand that Landlords considering this sector could be open to base rent + turnover top-up transactions.

Our valuation calculation is attached to Appendix I. Net rent has been assessed as follows:

a) Gross rent has been calculated by 12% on the blended turnover adopted in the listing documents.
b) Allowance has been made for the rental due to Exchange Tunnels Ltd. A rental uplift has been adopted in 2031.
c) The resultant Net Rents have been averaged over two five year “review” periods.

Considering rates of return likely for the level of risk anticipated for this property, we formed the view that a suitable income multiplier to provide a 6.50% return on money invested would be reasonable. Applying this multiplier to the average rental values gave us indicative capital value for the completed development (CVCD) of £149,258,000 after rounding.

Having established the CVCD, in residual valuation style, we have allowed for constructions costs and fees, as confirmed to ourselves, to form our opinion of fair value as of 31st March 2025 of £37, 290,000 after rounding.

As already highlighted, information available to the valuer continues to be limited and has required some assumptions. As a consequence, less certainty can be attached to the valuation than would normally be the case.

7. SIGNATURE & DATE OF REPORT

The report has been prepared by N D Hanson FRICS an independent registered valuer, who has the relevant experience and knowledge of valuing this type of property. We confirm that neither the firm nor the valuer has any conflict of interest in this matter. The undersigned has not previously had any professional involvement in connection with the property.

Signed

N D HANSON
FRICS FNAEA (Comm)
RICS REGISTERED VALUER
0071245

for and on behalf of **Vospers Friend & Falcke**
Chartered Surveyors & Valuers

96 Kensington High Street
LONDON
W8 4SG

Tel: 0203 355 7909

E Mail: nick.hanson@vospers.net

Date of report: 31st March 2025
Which is the date of valuation.

APPENDIX I: VALUATION CALCULATION

		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ABN TURNOVER		£ -	£ 10,000,000.00	£ 4,100,000.00	£ 24,865,000.00	**£ 66,608,000.00**	£ 88,451,000.00	£ 103,384,000.00	£ 107,630,000.00	£ 110,872,000.00	£ 114,241,000.00
RENT **% of blended turnover (BTO)**	12.00%	£ -	£ 1,200,000.00	£ 492,000.00	£ 2,983,800.00	**£ 7,992,960.00**	£ 10,614,120.00	£ 12,406,080.00	£ 12,915,600.00	£ 13,304,640.00	£ 13,708,920.00
	Average rental			**£ 2,533,752.00**					**£ 12,589,872.00**		

LONDON TUNNELS RESIDUAL VAL 06.2025	**% of BTO**					
					£	£
AVERAGE RENT 2025-2030	**12.00%**		**£ 2,533,752.00**			
Less:						
Ground rent			£ 90,000.00			
				£ 2,443,752.00		
YP rate	**6.50%**	**15.38461538**			**£ 37,596,184.62**	
UPLIFT IN AVERAGE RENT 2030			**£ 10,056,120.00**			
Less:						
Ground rent			£ 100,000.00	**£ 9,956,120.00**		
YP rate	**6.50%**	**15.38461538**				
Deferred for 5yrs	**6%**	**0.729**	**11.21538462**		**£ 111,661,715.08**	
CAPITAL VALUE OF COMPLETED DEVELOPMENT (CVCD)						**£ 149,257,899.69**
Development Costs (as per AECOM)						
Facilities works		£ 16,576,000.00				
Stated contingency	5.35%	£ 886,816.00				
Stage 1 Estimate		£ 58,137,000.00				
Stated contingency	9.64%	£ 5,604,406.80				
					£ 81,204,222.80	
Design team fees:						
Architect		3.0%	£ 2,436,126.68			
M & E		1.0%	£ 812,042.23			
Structural Engineer		2.0%	£ 1,624,084.46			
QS/Proj Man		2.0%	£ 1,624,084.46			
Other		1.0%	£ 812,042.23			
Design team fee total		9.0%		**£ 7,308,380.05**	£ 7,308,380.05	
Misc Costs						
Legals		0.25%	£ 203,010.56			
Contingency		10%	£ 20,301.06	**£ 223,311.61**	£ 223,311.61	
Finance 6.5 rate %						
Building: construction period (in 1/4 yrs)	0.75	6.5%		**£ 4,325,875.83**	£ 4,325,875.83	
Development Profit						
Profit on Cost		20%		**£ 16,240,844.56**	**£ 16,240,844.56**	**£ 109,302,634.85**
AVAILABLE FOR LAND PURCHASE						**£ 39,955,264.84**
SDLT %	5%		£ 1,997,763.24			
Acquisition Costs %	1.68%		£ 671,248.45		£ 2,669,011.69	
SITE VALUE						**£ 37,286,253.15**

APPENDIX II: BASIS OF VALUATION (IVS 2025)

This valuation has been prepared in accordance with written instructions, as agreed, and the basis/bases of valuation outlined in RICS Valuation - Global Standards 2025.

DEFINITIONS:

MARKET VALUE is defined as:
The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

MARKET RENT is defined as:
The estimated amount for which a property would be leased on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

INVESTMENT VALUE is defined as:
Investment value is the value of an asset to the owner or a prospective owner for individual investment or operational objectives.

FAIR VALUE:
Valuations based on FAIR VALUE shall adopt one of two definitions:

IVSC (International Valuation Standards Board) definition:
The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

IASB (International Accounting Standards Board) definition:
The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

RESTRICTED PROJECTED MARKET VALUE (RPMV)

Restricted Projected Market Value is not defined in RICS Valuation - Global Standards 2025 and is thus a departure from those Standards to meet a specific client requirement. Whilst the valuer speculates as to the future amount which may be achieved after the expiry of the market period, it is only the anticipated general trend of values which may be reflected and during the marketing period the value of the subject property may be subject to change due to unpredictable or special events. The valuer does not claim to be able to predict future events and therefore this figure must be regarded with caution in the knowledge that there could be further significant fluctuations.

Vospers hereby define RPMV as:

An opinion of the estimated amount for which a property should be expected to exchange if sold in distressed circumstances assuming:

1. the condition and state of repair remains no worse than as at the date of this valuation report
2. the interest in the property/the occupation/the occupational leases (if any) remain no more prejudicial to the value of the interest than as at the date of this valuation report
3. agreeing terms for a sale of the property is restricted to a set number of days (taken to be 180 days, unless specifically stated differently in the report) between the inception of marketing and exchange of contracts which may not necessarily be a reasonable period for property marketing.

In the case of operational premises, it is further assumed

1. the business has closed, accounts and records of trade of the business would not be available to a prospective purchaser and thus no value whatsoever could be attached to the value of the property due to any goodwill or established business at the property.
2. any manufacturing/process equipment has been removed
3. licences, consents (such as Justice's Licences) have been lost or are in jeopardy.

REINSTATEMENT COST FOR INSURANCE PURPOSES

This is an indication for insurance purposes of the current reinstatement cost of the building(s) in their present form. In recommending this figure we have considered the property in relation to the RICS/BCIS Guidance Notes on Re-Building Costs on a "day one" basis assuming the policy will make allowance for this. A replacement valuation, where appropriate, is intended to mean providing a replacement building(s) of similar size, general appearance and quality to that as existing but not necessarily constructed with the same materials as the original structure.

Allowances have been made for site clearance and demolition and 20% VAT on fees. However, a detailed elemental cost analysis has not been made and neither have we been able to make investigations as to site conditions and, therefore, we have assumed there would be no abnormal costs. Accordingly, this figure is for guidance purposes only and if a more accurate figure is required a Specialist Surveyor's report should be commissioned.
on fees.

APPENDIX III: STANDARD CONDITIONS OF ENGAGEMENT
FOR VALUATION OF LAND AND BUILDINGS IN COMPLIANCE WITH THE CURRENT EDITION OF THE RICS VALUATION - GLOBAL STANDARDS, AS IMPLEMENTED ON THE 31ST JANUARY 2025.

1. **<u>THE REPORT</u>**

1.1 The report is to be carried out in accordance with the latest edition of the RICS Valuation - Global Standards. These valuation standards are compliant with the IVS [International Standards]. Implementation Date: 31st January 2025.

2. **<u>INSTRUCTIONS</u>**

2.1 The instruction will identify the Client, the purpose of the Valuation and the subject property.

2.2 The nature of the asset will be identified within the report, either as being owner occupied, or being held as an investment. The Date of Valuation will be the date of the report unless otherwise stated.

2.3 The type of property will be identified and, in the case of property which is to be held as an investment:

a) The report will include a projection of rental levels current at the report date, of the rental income to which the owner will be entitled to the property if it remains fully occupied;

b) An opinion upon the effects on value of the quality and terms of the lease(s) and relevant implications upon the valuation in respect of privacy of contract (if any), and.

c) The valuers view of the market opinion of tenanted covenants for the class of the subject property in the subject locality.

d) Comment will be made on whether leases have been made available, read and the basis of information that can be relied upon.

2.4 The Basis of the Valuation [VPS 2]

2.5 The Date of the Valuation

2.6 Disclosure of any material involvement.

2.7 The status of the valuer, and confirmation of his competency to undertake the valuation.

2.8 Terms of Engagement will be agreed in accordance with the requirements of the individual lender and in compliance with VPS1, any special assumptions are to be confirmed in writing in accordance. Where Terms of Engagement will comply with VPS1 [1.4].

3. **<u>BASIS OF VALUE</u>**

3.1 The basis of valuation will be 'Fair Value', defined in accordance with IFRS 13, as follows:

'*…the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'*

3.2 The nature of the interest to be valued will be set out in the instruction letter or agreed before reporting.

3.2 Where it is deemed appropriate that *special assumptions* apply, in accordance with VPS 4, these will be agreed in writing, in advance of the inspection, and set out clearly in the report.

4. REPORTING

4.1 The report format will comply with VPS 3 and in the absence of any detailed requirements the lender shall include the following:

i) Comment on potential and demand for any alternative uses or any foreseeable changes in the current mode or category of occupation.

ii) Any material disrepair that has been noted, any assumptions or recommendations made about future repairs.

iii) Comment on past, current or future trends in the property market in the locality and/or demand for the category of property.

iv) Comment on both the current marketability of the interest and whether it is likely to be sustainable over the life of the loan, where disclosed.

v) The valuation methodology adopted.

vi) Details of significant comparable transactions relied upon them and their relevance to the valuation.

vii) Comment on the suitability of the property as a security for mortgage purposes, bearing in mind the length and terms of the loan contemplated.

viii) If appropriate, a statement drawing attention to any other matter revealed during normal valuation enquiries which might have a material affect upon the value currently reported.

ix) Comment on the environmental or other economic designation.

4.2 The report and supplementary conditions of engagement are issued to comply with VPGA 9 where it relates to Portfolios of Properties.

4.3 In brief, our Report will be prepared to meet the requirements of the RICS Valuation Practice Statements and the IVS requirements. It will therefore include the following:

a) Identification and status of the Valuer.
b) Identification of the Client and any other intended users.
c) Purpose of the Valuation.
d) Identification of the asset or liability to be valued.
e) Basis of Value.
f) Valuation Date.
g) Extent of investigation.
h) Nature and source of the information relied upon.
i) Assumptions and special assumptions.
j) Restrictions on use, distribution or publication.
k) Confirmation that the assignment has been undertaken in accordance with the IVS.
l) Valuation approach and reasoning.
m) Amount of the Valuation or Valuations.
n) Date of the Valuation Report.

5. THE INSPECTION AND INVESTIGATIONS

5.1 The Valuer will undertake a visual inspection of as much of the exterior and interior of the property as is accessible, with safety and without undue difficulty as can be seen from within the boundaries of the site and adjacent public/communal areas, and whilst standing at various floor levels, which the Valuer considers reasonably necessary to provide the service, having due regard to its purpose. The Valuer is under no duty to carry out a building or structural survey, nor to inspect those parts of the property which are covered, unexposed or inaccessible, nor to raise boards, move anything, use a moisture detecting meter, nor to arrange for testing of electrical heating or other services. The inspection will be carried out in accordance with the requirements of the Valuer as set out in VPS2 of the RICS Valuation- Global Standards [supplemented by the additional requirements in VPS1 and VPS2].

We will not inspect woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore unable to report that any such part of the property is free from defect.

5.2 Where our instructions are to complete a valuation without inspection of the property then our instructions have reference for VPS2. Any such report is for internal use only of the client and is not for publication or disposal to third parties. The valuation assumes that no material change has taken place since the description in the previous report in accordance with VPS 2.

5.3 We have not been made aware of the presence of any invasive plants (such as Japanese knotweed or Giant Hogweed) that might pose a threat to the any of the properties or to human health but upon our inspection of the properties we will take note of any such plants that are present or nearby. Nevertheless, we should stress that we are not experts in such matters and can provide no warranties to this effect. In the event that such plants are subsequently identified as having an adverse impact upon the property, then we reserve the right to amend our valuation(s) accordingly.

5.4 Fire Safety – We will not carry out a fire safety audit and we cannot give any warranty that the property complies with current Fire Safety standards in any respect, in any way related to the fire safety of a building or structure, including but not limited to:

- fire compartmentation
- fire prevention or suppression
- the adequacy of fire escapes or means of escape
- the means of detection and warning
- any advice related to evacuation procedures
- any design or advice relating to fire spread via the “leapfrog effect”
- any design, advice or specification related to a building’s compliance with applicable rules and regulations governing fire safety

Important: In arriving at our valuation of flats within blocks, we will have been required to rely upon an EWS1 form prepared by a professionally qualified third party. In so doing, we are not offering any advice as to the accuracy, completeness or fitness for purpose of this form or its content and neither the individual preparing the valuation nor this firm shall have any liability to you or any third party with whom you share the valuation, or any losses or potential losses arising directly and solely as a result of any inaccuracies or errors in, or otherwise, in any way related to the EWS1.

5.5 We will not undertake an assessment for either the EPC rating or the MEES. However, we will consider the current EPC/MEES rating and identify the bearing that it may have on value [see para.8.6 below].

5.6 We will have regard to VPGA 8: **Valuation of Real Property Interests**. This guidance is advisory rather than mandatory but relates to all aspects of the inspection and reporting. These points are largely included above but specific regard is now given to the issue of ***Sustainability, and environmental, social and governance.*** This is very broad but considers the potential or actual restraints on the enjoyment and use of the property caused by sustainability factors that may result from natural disasters through to third-party human activity. This extends beyond the physical to include governmental and social changes.

These matters relate to the sustainability of the construction and the environmental, social and Government matters, which may have a bearing on the future of the property. There is still a level of uncertainty over the actual meaning of the word sustainability but in these circumstances, it is often interpreted and as being the potential resilience of the property to any anticipated or possible future changes in areas such as the climate, building standards and the environment.

We will have regard to the potential issues that may fall under this title but further investigation may then be required as many of these issues will be outside of the expertise of a valuer.

6. **BASIS OF REPORTING AND ASSUMPTIONS**

6.1 If it is not reasonably possible to carry out a standard part of the inspection this will be stated.

6.2 Where the Valuer relies upon information provided, this will be indicated within the report, with the source of information.

6.3 The report will state the existence of any apparent, recent, significant alterations or extensions so as to alert the Client's lenders and legal advisers.

6.4 The Valuer will advise, if he considers it to be relevant, that there is significant prospect of, or potential for, change of use to other development of the subject property, or those in the vicinity, which will materially affect the value of the subject property.

6.5 Advise on any other factors which the Valuer considers to materially affect the state of the property as a security.

6.6 Comment upon the proposed purchase price if it has been notified through the Valuer.

6.7 A statement as to the special assumptions which the Valuer has made.

6.8 An opinion (without recourse) of the current market conditions and the current and expected trends in respect of the type of property in the area.

6.9 Following the provision of the report the Valuer will be prepared to discuss the contents with the Client's lenders representatives.

6.10 The investigation and reporting will be undertaken in accordance with VPS2.

6.10 The Valuer shall, unless otherwise expressly agreed, rely upon information provided by the Client's bank and/or the Client's legal or other professional advisers relating to the tenure, leases and all other relevant matters.

6.11 The Valuer shall carry out all inspections and investigations as are in the Valuer's professional judgement, appropriate and possible in the particular circumstances, but to comply with VPS 2. This will include verbal enquiries about town planning matters.

6.12 If the Valuer's inspection suggests that there may be material hidden defects, the Valuer will advise and may exceptionally defer submitting a final report until the results of further investigation are available.

6.13 The report will not identify the existence of contamination unless by agreement with the Client lender, nor report thereon from other reports obtained and made available to the Valuer, who will have no liability in respect thereof. If, however, the Valuer, in the course of his inspection concludes that there is material contamination the Valuer will report this to the Client lender with a view to the decision being taken as to whether the Valuer's instructions are to be amended.

6.14 In preparing the report, unless otherwise stated by the Valuer, the following assumptions will be made, which the Valuer shall be under no duty to verify:

a) That no deleterious or hazardous materials or techniques were used in the construction of the property or have been since incorporated.

b) That good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings.

c) That the property and its value are unaffected by matters which would be revealed by a local search as to the usual enquiries; or by any statutory notice; and that neither the property, nor its contents, nor its intended use, is, or will be, unlawful;

d) An inspection of those parts that have not been inspected would neither reveal material defect nor cause the Valuer to alter the valuation (s) materially.

e) Unless otherwise stated, no contaminative or potentially contaminative uses have ever been carried out on the property and that there is no potential for contamination of the subject property from past or present uses of the property, or from any neighbouring property.

6.15 The extent of the inspection and investigations will comply with VPS2.

6.16 The report will be provided for the stated purposes and for the sole use of the named client. The Valuer accepts responsibility to the Client alone that the report will be prepared with the skill, care and diligence reasonably to be expected of a competent Valuer and accepts no responsibility whatsoever to any parties other than the Client lender. Any such parties rely upon the report at their own risk. Neither the whole or any part of this report nor any reference to it may be included in any published document circular or statement nor published in any way without the Valuer's written consent of the form and context in which it may appear.

7. <u>INSTRUCTIONS AND CHARGES</u>

7.1 All instructions to the Client's lender will be made directly by the Client's lender and confirmed in writing; the Confirmation of Terms of Engagement being in accordance with VPS 1.

7.2 The Client lender will pay to the Valuer the fee initially agreed between them, or any amount thereafter to be agreed if the Valuer's instructions are subsequently modified. In addition, the Client lender will reimburse the value of the cost of all reasonable out of pocket expenses which may be incurred and pay the amount of any Value Added Tax on the fees and expenses.

7.3 The fee will be charged at a rate compliant with the agreed instruction letter, attached.

herewith.

8. **GENERAL**

8.1 No allowance will be made in the valuation for VAT unless otherwise stated.

8.2 No allowance will be made for the costs of realisation, taxation or any other liabilities that may affect the property.

8.3 Your solicitors must confirm all planning and other statutory enquiries in writing. Any variations must be reported back to ourselves for further consideration.

8.4 The valuation will be undertaken by an independent registered Valuer, as defined in the RICS Valuation- Global Standards 2025, with sufficient experience and knowledge to undertake the task required.

8.5 All valuations will be completed in British pounds sterling.

8.6 The government's aspiration is for as many homes as possible to meet a minimum EPC rating of B by 2035, where practical, affordable and cost effective. The Government has suggested a change to the law requiring all new rental tenancies to have a minimum rating of C and above by 1 April 2025, while existing tenancies, which must now have an EPC rating of E or above, will have to meet this target by 2028. Our report will consider the implications of the EPC Rating.

9. CONFLICTS OF INTEREST

9.1. We can confirm that a "conflict of interest" check has been carried out by us prior to accepting your instruction, and we can confirm that there is no issue of this type. We also confirm that there has been no previous material involvement in the Property.

10. COMPLAINTS PROCEDURE

10.1 In accordance with the current requirements of the Royal Institution of Chartered Surveyors, we have put in force a formal Complaints Procedure. Copies of this documentation are available on request.

11. RICS INVESTIGATION

11.1 Friend and Falcke is registered and regulated therefore this Report may be subject to random investigation by the RICS for the purposes for the administration of the Institutions conduct and disciplinary regulations.